

EXPANSION OF TECHNOLOGICAL CAPACITIES IN POOR COMMUNITIES

(HO-0203)

EXECUTIVE SUMMARY

Borrower:	Republic of Honduras	
Executing agency:	Consejo Hondureño de Ciencia y Tecnología [Honduras Science and Technology Council] (COHCIT)	
Amount and source:	IDB (FSO):	US\$8.5 million
	Borrower:	US\$1.0 million
	Total:	US\$9.5 million
Terms and conditions:	Amortization period:	40 years
	Grace period:	10 years
	Disbursement period:	30 months (plus 6 months to finance the project audit)
	Interest rate:	1% for the first 10 years and 2% thereafter
	Inspection and supervision:	1% of the amount of the loan
	Credit fee:	0.5% annually on the undisbursed balance
Objectives:	<p>The goal of the project is to help reduce causes of poverty related to the disadvantages of isolation and unequal opportunity. The purpose is to open up opportunities for educational and market knowledge services to members of isolated communities.</p> <p>The specific objectives are: (i) to confirm the technical viability and cost-effectiveness of a model for delivering a set of technological tools to provide educational and market-knowledge services in a sample of communities; and (ii) to provide institutional strengthening for COHCIT to accomplish its mission of coordinating technological exchanges that seek to promote the development of poor communities.</p> <p>Based on important lessons learned in the use of new communications and information technology to support the development of poor Honduran communities, COHCIT plans to test a model for providing</p>	

education and information services in a representative sample of communities, using technological tools. This initiative presupposes that cost-effectiveness, efficiencies, and positive externalities will be achieved that are superior to traditional methods of delivering educational and market-knowledge and information services. This approach is an attempt to incorporate into the economy communities that have been excluded largely because of their isolation and the high cost of providing services to them previously.

Description: The project consists of three components:

1. Component 1. Financing of technologies that facilitate educational and market-knowledge services (US\$5.93 million)

The objective of this component is to finance subprojects that include a technology package that provides opportunities to access educational services and knowledge services for market participation. The technology package included in each approved subproject will be located at a community communications and information center. Representatives of the community requesting each respective subproject will be responsible for center management.

The “technology package” is a set of nontraditional computer and electronic technological tools to provide educational, information, and telecommunications services to the general and student population, as well as technical assistance for community microenterprises. Sources of renewable energy may be financed as part of each subproject. The size and content of each package will depend on the size and interests of the beneficiary community and its capacity to make effective and sustainable use of these technologies.

2. Component 2. Institutional strengthening (US\$1.28 million)

The objective of this component is to strengthen COHCIT’s capacity to coordinate a jump-start of technological change in eligible communities, and its capacity to lead, promote, coordinate, and manage actions that lead to a flexible transfer of technology. An inter-institutional coordinating committee will be set up to advise COHCIT and to disseminate the lessons learned.

3. Component 3. Monitoring, Evaluation, and External Auditing (US\$260,000)

The objective is to verify project compliance with the agreed goals and targets and to ensure that the project is implemented in compliance with Bank regulations. Consultants and hardware will be contracted to provide continuous monitoring, to gather information

documenting the lessons learned, and to warn of significant divergences from expected indicators. The external auditing required for the project will also be contracted.

Rationale for an innovation and learning loan:

This project qualifies as an innovation loan because:

- 1. Various institutions are learning a new approach to providing services.** The project will test a model for meeting community demand for educational and market-knowledge services involving coordination among various institutions to deliver a technology package that provides those services.
- 2. Flexibility is being introduced into the design.** The tests that the project will conduct on supplying educational models, communication, energy inputs, and research allow for feedback. The models will be adjusted, yielding stronger approaches to cooperation between the communities and the content providers.
- 3. The path to greater investment is being smoothed.** This trial in a representative sample of communities will produce sufficient evidence to justify or reject more extensive investment to replicate the model.

Relationship of the project with the Bank's sector and country strategy:

The Bank's strategy supports implementation of the Poverty Reduction Strategy, as well as the Master Plan for National Reconstruction and Transformation of which it is part. This project directly addresses various priorities of the poverty reduction strategy. Specifically, the project promotes human development by introducing technologies that function as essential tools to achieve the goal. Therefore, the project fits within the poverty reduction strategy framework and is consistent with the Eighth Replenishment.

Environmental and social review:

The Operating Regulations include specific criteria to ensure that subprojects will not have negative environmental impacts. The related education services will contribute to sustainable natural resource management, while the introduction of small-scale renewable energy systems will support an increase in less polluting sources of energy. As for social impacts, the two pilot centers in San Ramón and San Francisco (see Chapter I, Background) have generated considerable interest in the communities regarding community development activities. These pilot locations have become satellite centers where citizens from other small towns meet to use the available technologies and services.

Benefits:

The expected benefits relate to the creation of vital opportunities. Experiences in other countries and observations of related activities in

Honduras point to opportunities for personal improvement that will come about as a result of cost savings, environmental preservation, externalities, and synergies with other activities in process. The following savings and benefits are noteworthy in this respect.

First, the project will make national formal education programs accessible. Moreover, possibilities will be created for using alternative methods to train teachers and add to the quality of national curricula, which may result in savings.

Second, in general, telecommunications offer considerable savings for individuals in isolated communities by replacing more costly traditional means, such as postal service. As opportunities to obtain and/or process information and gain new knowledge expand, opportunities for a higher income and prospects for a significantly higher standard of living are also increased.

A telephone network could also be leveraged to provide a series of additional applications via Internet. In terms of facilitating synergies and complementarity, the project will promote other efforts in education, health, agriculture, and sustainable development now in progress.

Risks:

The risks that communities will not react with the expected eagerness and an insufficient number of subprojects will be requested, or that the requesting communities will be so widely scattered as to impact the necessary “network effect”, are truly low. In recent months, the demonstration effect of the centers in San Ramón and San Francisco has persuaded many other communities to request similar projects. These positive reactions will now be accompanied by a concerted, targeted social-promotion and marketing effort financed by the project. Therefore no difficulty is expected in terms of attracting a sufficient number of requests and applications from communities (over 100).

The change in government in 2002 raises some uncertainty with regard to the priority that the new government will place on the project. However, a consensus exists among the institutions that will form the interinstitutional coordinating committee, and the issue has been addressed in political dialogues by various parties, and has been accepted by the Church. Therefore, no special actions are deemed necessary to mitigate this potential risk.

Special contractual conditions:

Special conditions precedent to the first disbursement of the loan:

Prior to the first disbursement, the borrower will present evidence to the Bank that: (i) the project coordinator has joined the COHCIT

Office of Cooperation and the minimum equipment necessary for project management has been procured (paragraph 3.2); (ii) the interinstitutional coordinating committee has been formed as provided in paragraph 3.6; (iii) the parties have agreed on coordination duties for project implementation (paragraph 3.7); and (iv) the interinstitutional coordinating committee has approved the Operating Regulations (paragraph 3.7).

These provisions notwithstanding, the equivalent of up to US\$200,000 may be disbursed to hire the project coordinator and procure the equipment necessary for project management once the preconditions established in the General Conditions of the loan contract have been met.

Poverty-targeting and social sector classification:

This operation qualifies as a social-equity targeted project, as described among the key objectives for Bank activities set forth in the report on the Eighth Replenishment (document AB-1704). This operation also qualifies as a poverty-targeted initiative) pursuant to the geographical classification criterion (paragraph 3.13).

Exceptions to Bank policy:

See Procurement section below.

Procurement:

As an exception to the competitive bidding process required for the selection of consultants, it is recommended that Digital Nations be contracted directly owing to its comparative technical advantages, as discussed in paragraphs 3.21 and 3.22. Accordingly, the hiring of Digital Nations complies with the provisions of Chapter 403 of the Procurement Manual.

The procurement of goods and related services and contracting of consulting services will comply with the policies and procedures of the Bank. The project does not include construction contracting. The thresholds above which international competitive bidding will be used in the project are: (i) US\$250,000 for the procurement of goods and related services, and (ii) US\$200,000 for consulting contracts.